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sapmer: strategic growth and its financial implications

Yuan Ding, Hua Zhang, Chun Xie, and Ellen Jin Jiang wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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In early spring of 2013 in Paris, Jacques de Chateauvieux was on his way to join his family for the weekend. He was looking forward to sharing with them the success story of *Société anonyme de pêche malgache et réunionnaise* [Malagasy and Réunion Fishing Limited Company][[1]](#footnote-1) (SAPMER) SA, and he reflected on what Yannick Lauri, the chief executive officer (CEO), had just said at the board meeting:

During 2012, SAPMER recorded strong growth in its activity and maintained strong profitability. The highlight of the year was the arrival of two new −40 degrees Celsius [°C] deep-freeze tuna purse seiners,[[2]](#footnote-2) *Dolomieu* and *Belouve*, which joined an Indian Ocean tuna fleet already composed of three ships. Moreover, if the tuna activity was growing, the southern seas activity (Saint Paul rock lobster and toothfish) was also doing very well, with good fishing campaigns and steady sales.

De Chateauvieux was pleased to see that return on equity had improved significantly in the past two years. However, reading through the company’s financial statements and the report on ship deliveries and payment terms, he knew that SAPMER still had enormous challenges related to its growth. He needed to know the reason for the improvement in return on equity, what potential problems could be identified from a DuPont analysis of SAPMER’s financials, and what bottlenecks could appear in the coming years.

A BRIEF HISTORY OF SAPMER[[3]](#footnote-3)

Early Years

Jean Chatel, Georges Michel, and Raymond Latour, three entrepreneurs from Réunion Island, created SAPMER in 1947, when they joined forces and acquired a three-masted, motorized ship outfitted by Madagascan ship fitters. The trio sent the ship, rechristened the *Cancalais*, fishing around the Saint Paul and Amsterdam Islands in the southern Indian Ocean. That was the beginning of a rich journey for the company.

The period from 1947 to 1965 was the age of pioneering and conquering the Southern Ocean, with the fishing company’s strategic plan taking shape in 1949. After an exploratory mission and some trial and error, SAMPER’s founders realized that they needed to catch and prepare their haul with whatever they had on board. They also realized that in this environment, “the future of seafood belonged to the cold rather than salt preservation techniques.”[[4]](#footnote-4) SAPMER bought a refrigerated 62-metre-long cargo ship and turned it into a giant lobster freezer. They added eight motorized whaleboats to the ship to support fishing activities, and on December 31, 1949, sent the ship on the first of what would become an annual fishing campaign.

From 1965 to 1980, companies took advantage of fishing grounds teeming with lobster—difficult to harvest, but a catch worth the effort. SAPMER advanced its capacity in 1965 by replacing its first ship with a former wine carrier fitted for pot fishing and on-board processing with a freezing tunnel. But exploitation was exhausting the resources. At the end of the 1973–1974 fishing campaign, quotas were greatly reduced, dropping from 960 to 450 tons. Only one ship was allowed to fish on behalf of the three companies working the area: *Organis pêcheries Ouest Bretagne* [Organization of the Fisheries of West Bretagne], SAPMER, and Bretic. Year after year, the resources were replenished through sustainable management of fishing.

In 1986, SAPMER’s boat focused on catching toothfish, a species that had not attracted much attention until then. The deep sea fish, described by sailors as the most beautiful species of the Southern Ocean, had been considered a by-catch, and stock was considered depleted. But in this new venture, SAPMER brought 241 tons of toothfish to Réunion Island, and Japanese customers took interest. The fish resembled a species of fish favoured by the Japanese but which Japanese fishing companies could no longer access. With popularity, prices started to rise.

After ten years of difficult campaigns, fishing the waters surrounding the French Southern and Antarctic Lands (TAAF) finally became profitable for the Réunion Island fishing company. On land, the company was also restructured: Maurice Barrier, son-in-law of Robert de la Fortelle, the previous chairman, took charge of the company in 1987.

The Bourbon Years

In 1989, Les Sucreries de Bourbon (Bourbon), then focused only on sugar and managed by de Chateauvieux, began its diversification. Its sugar business was struggling, and the company was on the verge of bankruptcy. SAPMER, whose majority share was owned by de la Fortelle’s family, was already a symbol of Réunion Island, famous for its small fish-processing activity.

De la Fortelle’s son and de Chateauvieux had studied together at Columbia University in the United States, then worked together for the Boston Consulting Group (BCG). Later, they were both members of the founding team of BCG Europe. Because they knew each other very well and de Chateauvieux was very fond of SAPMER’s management team, de Chateauvieux began to consider investing in SAPMER. Believing in and appreciating SAPMER’s commitment to development as well as its growth potential in lobster and toothfish, Bourbon took a majority of shares in SAPMER in June 1989.

In November 1990, Bourbon bought a retail operation. In 1991, it acquired a shipping business in order to become further diversified. In 1992, de Chateauvieux’s group attained sole ownership of SAPMER. Over the following years, SAPMER’s performance, with reasonable ups and downs, was in line with the expectations of the management team. The toothfish business was good, and SAPMER renewed the vessel for lobster fishing.

Keeping SAPMER in the Family

In 1998, Bourbon was listed on the Paris Stock Exchange. However, the stock market did not show much interest in the company, even though the company delivered a good performance in line with the forecast of its initial public offering prospectus. From 2000 to 2001, Bourbon’s leaders reconsidered the company’s strategy and decided to narrow its focus to one field rather than continue as a conglomerate. Having so many unrelated businesses was unattractive for financial analysts and investors. Bourbon sold off its sugar business in February 2001 and decided to gradually step out of its retail business in November 2001, focusing on its marine service activities and offshore oil ship businesses.

Because the Bourbon team liked SAPMER very much, it was one of the last businesses to be sold. In 2005, Bourbon looked for a buyer of the fishing company. An Indian Réunion Island family that was a SAPMER competitor offered €15 million.[[5]](#footnote-5)

De Chateauvieux held a family meeting to talk about the possible disposal. His wife and six children all knew about SAPMER products; they had been visiting the port to see the vessels and had been enjoying the lobster and toothfish for many years. They expressed their wish to keep the fishing company in the family. De Chateauvieux decided to buy SAPMER from Bourbon for his family holding group, JACCAR Holdings SA. As a related party, de Chateauvieux finally paid €21 million to buy SAPMER and keep it as a wholly owned subsidiary of JACCAR.

De Chateauvieux regarded buying SAPMER as he would collecting a painting; he did not expect the company to create value as it should for Bourbon. Bourbon’s share price soared after its business became more focused.

The strategic rebirth of SAPMER[[6]](#footnote-6)

Diversification with the Tuna Venture

While rock lobster and toothfish were SAPMER’s two main sources of revenue, the fishing company had never stopped seeking new commercial species. Because both lobster and toothfish were resilient, profitable businesses with high quota limits each year, SAPMER’s limited production could hardly meet the demand. To find new methods of development, the company undertook various campaigns in different sectors of the Indian Ocean over the years.

In 2006, de Chateauvieux asked general manager Yannick Lauri how they might further grow SAPMER’s business. Lauri proposed an idea he had developed with his predecessor, Jacques Dezeustre: expanding into the tuna business. Experiments with fishing pelagic fish (e.g., tuna and swordfish) had been going on in the Indian Ocean since 1995. The experiments involved using “a freezer longliner capable of producing sashimi-quality fish for Japanese buyers.”[[7]](#footnote-7) The tropical Indian Ocean was abundant with tuna, and SAPMER knew the demands of the Asian market. The growth potential of the European market was within the company’s reach.

Lauri decided that the tuna business could be a source of diversification for SAPMER. Various studies and trials also confirmed his judgement. Accordingly, SAPMER bought two old tuna vessels to learn the business seriously. The two freezer purse seiners were renamed *Titan* and *Takamaka*. SAPMER had begun learning a new trade.

SAPMER used these old vessels for tuna fishing from 2006 to 2008, then sold them in 2008. De Chateauvieux and Lauri reviewed the financial results and found that the business was cyclical. Its profitability for canning and fresh markets was low. But they believed that the tuna business could succeed if they targeted the correct markets and carefully segmented them. Thus, they developed a plan for ordering new ships to develop the market for tuna products.

New Niche Positioning for the Tuna Business[[8]](#footnote-8)

In 2007, SAPMER ordered three ships from the Piriou shipyards in Concarneau, a French county highly renowned for tuna fishing. De Chateauvieux’s holding company was Piriou’s largest shareholder. The company accepted the daunting task of developing a freeze and deep-freeze seiner of a completely new design.

The ships used the purse seiner technique with very modern means, giving them great power and a rapid execution time. At 90 metres long, they implemented high-performing fish-detection methods. The most important novelty was their propulsion system. Two electrical engines activated a pitch propeller, while these two electrical engines were powered by a main diesel engine. The new propulsion system saved fuel and reduced emissions, while also giving the ships the power and manoeuvrability to operate seines 1,800 metres long, 280 metres high, and weighing 90 tons.

The electrical power of the vessels also allowed fish to be frozen in reduced time, preserving the natural quality of the fish. On board, the fish was handled in two ways. First, the undamaged fish was immersed in a smooth-walled 300-ton tank of chilled brine and frozen to the core at −9°C. Then the frozen fish was transferred to a work area where the small fish were separated from the large ones and transferred to 700-ton freezing holds. There, the core temperature of the catch was lowered to −40°C; this very low temperature was maintained until the fish was unloaded.

With the new ships, SAPMER embarked on a five-year plan with proven development of a new segment—super-frozen tuna fishing and processing in the Indian Ocean. The process addressed the Asian consumer market for premium sashimi and tataki and premium tuna loin and steak. The company created a niche position between canning and fresh markets, targeting mainly the Japanese market (see Exhibit 1).

At the same time, SAPMER and Seafood Hub Ltd. (a subsidiary of Ireland Blyth Ltd.) partnered to invest in a processing factory for frozen fish on the wharf of Port Louis, the capital of Mauritius. The factory supported an important element of the SAPMER strategy: to provide all markets with tuna without any thawing during the whole process from capture to the consumer’s plate. Part of the catch was intended for the canning industry, while the best fish would be used for processing and value enhancement to meet customers’ demand for fillets, steaks, and dices (see Exhibit 2). This value enhancement would allow SAPMER to triple its sales in the near future and further expand the market in accordance with its long-term strategic plan.

Financial Arrangement

Ordering new ships for tuna fishing required significant investments. To finance the new vessels for its tuna venture, SAPMER decided in 2007 to open up shareholding through private placement to investors. After two years, de Chateauvieux realized that SAPMER needed to choose whether to buy back the shares with a given return or list SAPMER on the over-the-counter (OTC) market in Paris. He concluded that the easiest way to waive his obligation was to be listed on the OTC market. SAPMER was listed on the Alternext in July 2009, becoming the first French fishing company to be listed. The first investors were Réunion islanders.[[9]](#footnote-9)

strategy since 2008

The strategic five-year plan was successfully implemented in 2008 (see Exhibit 3). In 2012, SAPMER’s revenue was €93.1 million, an increase of €16.1 million from 2011’s revenue of €77 million. This increase was mainly due to an increase in whole tuna sales, growth in value-enhancing tuna products, an increase in Saint Paul rock lobster revenues, and steady toothfish sales.

Strong Fishing Activity

SAPMER’s fishing activity represented 79 per cent of total revenues. This growth was the result of increases in gross tuna sales and a slight increase in its rock lobster sales. Southern seas fishing (Saint Paul rock lobster and toothfish) still profited from a strong demand from the Asian markets, with steady prices over the year.

Rock lobster sales increased from €8.7 million in 2011 to €9.3 million in 2012 as a result of a favourable price and exchange rate. SAPMER caught its whole quota. The price index was 138 and the basic price index was 100, based on whole rock lobster average prices from 2007 to 2011. Sales were primarily to Japan.

Toothfish sales dropped from €40.7 million in 2011 to €39.4 million in 2012—a result of a change in fishing trip dates and a slight price decrease in the second half of 2012. The price index was 139 based on HDG average toothfish prices from 2007 to 2011. More than 85 per cent of the sales were in Asia, including 10 per cent in Japan.

Gross tuna sales increased by 74 per cent, from €13.8 million in 2011 to €24 million in 2012. This growth was linked to a strong increase in the average selling price over the year and an increase in sales volumes. In 2012, the whole tuna market met a strong demand, with an average price that almost doubled compared to 2010. SAPMER’s increase in volume was a result of having, on average, four tuna purse seiners in operation over the whole of 2012, compared to three in 2011. The main clients for tuna were based in Mauritius (43 per cent), the Seychelles (33 per cent), Europe (12 per cent), and Japan (10 per cent). SAPMER’s main achievement for tuna in 2012 was diversifying its client base.

Value-Enhancing Activity

Value-enhancing activity included processed tuna sales (e.g., tuna that was fished and processed in the factory into loins and steaks) and the Mauritian subsidiaries’ activities. SAPMER’s premium choice line increased value-enhancing activity by 51 per cent to €19.9 million in 2012. This growth was linked to an increase in sales volumes and an augmentation of catches suitable for processing. In 2012, 36 per cent of the total catch was value enhanced. A price rate effect also affected growth, and the Mer des Mascareignes factory also increased its whole tuna value-enhancing production to 7,600 tons, up from 5,300 tons in 2011. Revenues could be divided into two main products: loins, at 68 per cent of revenues, and steaks, at 20 per cent. Loins were mainly sold in Japan, and steaks were mainly sold in Europe and the United States.

SAPMER’s strategy of diversifying sale zones continued with penetration of the North American market, led by the popularity of tuna steaks. Mirroring its toothfish and lobster activity, SAPMER was positioned in a “very high-quality” niche market and enjoyed an excellent reputation for its value-enhanced tuna products, especially its loins. SAPMER was then the only company in the Indian Ocean operating across the entire value chain: fishing, deep freezing at −40°C, and cutting and packing tuna into sashimi-quality loins. This high-end positioning was particularly appreciated by Japanese clients and generated high demand for sashimi loins.

Benefits of a Diversified Portfolio

Because the economic crisis in Europe had made it difficult to assess economic and financial prospects, SAPMER’s potential in its home market was uncertain. In Europe and South Africa, SAPMER supplied supermarkets (frozen sections) and out-of-home catering. In Asia and Japan, the tuna sold by SAPMER (e.g., loins, bellies, and saku) was mainly consumed raw in sushi bars; SAPMER also supplied the tataki market with high-quality, pre-grilled skipjack loins that were raw in the centre. In the United States, SAPMER products were sent to major, specialized, high-end food stores (the organic market). SAPMER was also studying other outlets that would enable the resource to be most effectively value enhanced.

SAPMER was not as affected by the European economic situation as were other companies. By 2012, the majority of SAPMER’s sales were exports to either economically buoyant countries, such as China, or countries with a major and growing market for fish, such as Japan. Revenues from Japan in 2012 accounted for 30 per cent of the total; revenues from Hong Kong, Singapore, Taiwan, Korea, Indonesia, and China combined accounted for 33 per cent. Japan seemed to be the main market for processed tuna: this small country contributed 72 per cent of the revenues for this product in 2012.

De Chateauvieux was satisfied that, through the years, SAPMER’s share price had been steady and had grown since the end of 2011 (see Exhibit 5). However, reading through the financial statements, the report of ship deliveries, and the company’s payment terms, de Chateauvieux also knew that SAPMER still had enormous challenges (see Exhibit 6). The company’s growth would require a balanced view and careful management.

EXhibit 1: Super-frozen tuna—value chain and niche market

Frozen steaks & other

Sashimi loins: grade A+, grade A, grade B

SAPMER

Addressing a niche market between canning & fresh market

Indian Ocean—Tuna fishing 800,000 tons

Canning

Purse seiner Brine

285,000 tons

Super-frozen

Purse seiner −40°C

20,000 tons in 2012

Fresh

Longliners/Pole & Line/  
Others

495,000 tons

Value enhanced and processed at −40°C in Mauritius factory into loins, steaks, and other items.

Gross tuna

Value-enhanced tuna niche market

Canning industry

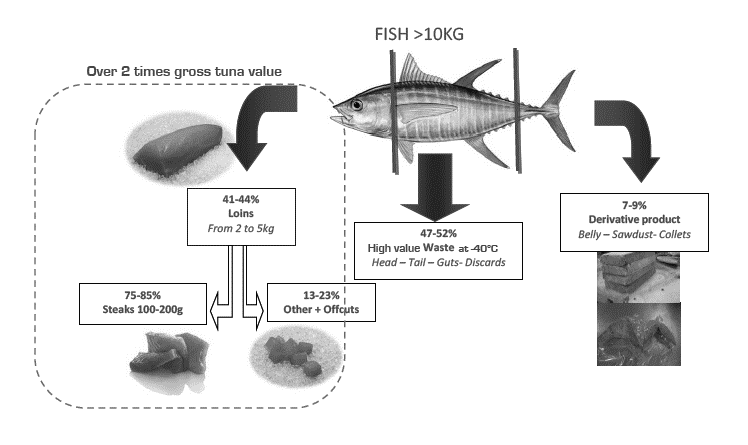
Price per kg = f(Quantity)

1€ Europe, US markets

5€ Japanese market 10€

Source: Company documents.

Exhibit 2: Super-frozen Tuna—from gross tuna to processed tuna



Source: Company documents.

Exhibit 3: SAPMER’s Financial Statements, 2008–2012 Consolidated Balance Sheet (In € ’000)

| *Fiscal Year Ended December 31* | **2008** | **2009** | **2010** | **2011** | **2012** |
| --- | --- | --- | --- | --- | --- |
| Net intangible assets | 1,842 | 1,813 | 1,724 | 1,606 | 2,257 |
| Net tangible assets | 64,309 | 91,164 | 91,993 | 93,956 | 135,736 |
| Other non-current financial assets | 435 | 412 | 1,036 | 962 | 9 |
| Other non-current assets | 250 | 707 | 707 | 707 | 187 |
| Deferred tax assets | 0 | 199 | 0 | 0 | 0 |
| **Total non-current assets** | **66,836** | **94,294** | **95,459** | **97,230** | **138,189** |
| Net inventories | 7,564 | 7,548 | 7,436 | 9,666 | 15,964 |
| Net trade and other receivables | 6,890 | 8,419 | 10,779 | 16,535 | 18,659 |
| Derivative financial assets | 234 | 0 | 0 | 0 | 116 |
| Tax receivables | 139 | 141 | 248 | 0 | 0 |
| Cash and cash equivalents | 3,135 | 11,505 | 19,263 | 18,650 | 7,374 |
| Assets held for sale | 3,473 | 252 | 0 | 0 | 0 |
| **Total current assets** | **21,435** | **27,866** | **37,726** | **44,851** | **42,113** |
| **Total assets** | **88,271** | **122,160** | **133,184** | **142,082** | **181,881** |
| **Consolidated liabilities** |  |  |  |  |  |
| Share capital | 2,559 | 2,751 | 2,751 | 2,774 | 2,774 |
| Share premiums | 2,968 | 6,330 | 6,330 | 6,330 | 6,607 |
| Consolidated reserves | 22,202 | 21,577 | 22,114 | 21,592 | 27,973 |
| Translation reserve | 29 | 21 | −6 | 2 | −70 |
| Net income | 1,242 | 1,040 | 616 | 7,745 | 8,640 |
| **Total shareholders’ equity** | 28,999 | 31,720 | 31,806 | 38,443 | 45,925 |
| Group share | 28,336 | 31,720 | 31,806 | 38,442 | 45,924 |
| Minority interests | 663 | 0 | 1 | 1 | 1 |
| Long- and medium-term debt | 36,577 | 56,724 | 69,283 | 64,490 | 88,549 |
| Other financial liabilities | 8,027 | 10,316 | 11,250 | 12,310 | 11,472 |
| Employee benefits | 527 | 636 | 766 | 789 | 1,151 |
| Provisions (> 1 year) | 1,000 | 895 | 890 | 901 | 171 |
| Deferred tax liabilities | 2,314 | 1,717 | 2,267 | 2,955 | 4,120 |
| **Total non-current liabilities** | 48,446 | 70,288 | 84,456 | 81,444 | 105,463 |
| Short-term (< 1 year) portion of long-term financial liabilities | 150 | 12,441 | 6,166 | 5,010 | 10,020 |
| Other financial current liabilities | 172 | 0 | 0 | 0 | 0 |
| Bank overdrafts | 62 | 19 | 61 | 40 | 0 |
| Trade and other payables | 6,859 | 7,595 | 10,695 | 13,823 | 20,094 |
| Derivative financial liabilities | 185 | 98 | 0 | 282 | 0 |
| Tax liabilities | 232 | 0 | 0 | 3,039 | 29 |
| Liabilities connected with assets held for sale | 3,166 | 0 | 0 | 0 | 0 |
| **Total current liabilities** | 10,826 | 20,153 | 16,922 | 22,195 | 30,143 |
| **Total liabilities and equities** | **88,271** | **122,160** | **133,184** | **142,082** | **181,881** |

Exhibit 3 (Continued)

| *Fiscal Year Ended December 31* | **2008** | **2009** | **2010** | **2011** | **2012** |
| --- | --- | --- | --- | --- | --- |
| **Revenue** | **29,453** | **32,974** | **47,993** | **76,994** | **93,053** |
| Change in inventories | 1,501 | −174 | −720 | 678 | 4,441 |
| Other operating income | 829 | 2,299 | 5,249 | 819 | 4,156 |
| **Total operating revenue** | **31,783** | **35,099** | **52,522** | **78,491** | **101,650** |
| Purchases consumed | −7,523 | −8,255 | −14,721 | −19,740 | −26,964 |
| Payroll costs | −8,197 | −10,423 | −13,410 | −18,690 | −27,198 |
| External expenses | −6,863 | −7,855 | −13,272 | −16,744 | −18,209 |
| Duties and taxes | −3,189 | −3,074 | −3,428 | −3,910 | −4,999 |
| Net provisions, depreciation, and impairment | −3,020 | −3,448 | −4,710 | −5,258 | −6,559 |
| Other operating expenses net of income | 1,213 | 698 | 458 | 1,059 | −129 |
| **Operating income (EBIT)** | **4,205** | **2,742** | **3,439** | **15,207** | **17,592** |
| **Cost of net debt** | **−1,515** | **−2,788** | **−3,686** | **−3,173** | **−4,615** |
| **Other financial income and expenses** | **103** | **1,317** | **639** | **−250** | **−172** |
| **Income before taxes** | **1,920** | **1,116** | **393** | **11,784** | **12,804** |
| **Income taxes** | **−678** | **−76** | **224** | **−4,039** | **−4,164** |
| **Net income** | **1,242** | **1,040** | **617** | **7,745** | **8,640** |
| Group shares | 1,094 | 1,040 | 617 | 7,745 | 8,640 |
| Minority interests | 148 | 1 | 0 | 0 | 0 |
| **Basic earnings per share** | **0.390** | **0.313** | **0.179** | **2.242** | **2.490** |
| **Diluted earnings per share** | **0.390** | **0.311** | **0.178** | **2.242** | **2.470** |
| **Consolidated net income including minority interests** | **1,242** | **1,040** | **616** | **7,745** | **8,640** |
| Net depreciation of fixed assets | 2,475 | 3,669 | 4,407 | 5,313 | 6,182 |
| Net depreciation and provisions allowance and others | 0 | 0 | 184 | −756 | 0 |
| Calculated income and expense linked to stock options, etc. | 0 | 234 | 338 | 176 | 44 |
| Change in fair value of financial instruments | 0 | 0 | 922 | 415 | −14 |
| Other calculated income and expense | 0 | −245 | 0 | 0 | 0 |
| Gains and losses on disposals | 546 | −625 | 59 | 0 | −11 |
| **Cash flow after the cost of debt** | **4,262** | **4,073** | **6,526** | **12,893** | **14,841** |
| Cost of gross debt | 1,530 | 2,801 | 3,691 | 3,442 | 4,787 |
| Change in deferred income tax for the period | −3 | −167 | −224 | 1,000 | 1,021 |
| **Cash flow before cost of debt and tax** | **5,789** | **6,707** | **9,994** | **17,335** | **20,649** |
| **Change in WCR related to operating activities (including tax payable)** | **2,650** | **−606** | **1,018** | **−1,905** | **−3,934** |
| **Net cash flow from operating activities** | **8,439** | **6,101** | **11,012** | **15,430** | **16,715** |

Exhibit 3 Continued

| *Fiscal Year Ended December 31* | **2008** | **2009** | **2010** | **2011** | **2012** |
| --- | --- | --- | --- | --- | --- |
| **Investing activities** |  |  |  |  |  |
| Acquisition of intangible assets | −12 | −78 | −32 | −13 | −804 |
| **Acquisition of property, plant, and equipment** | **−22,965** | **−41,246** | **−23,418** | **−6,250** | **−49,669** |
| Disposal of property, plant, and equipment & intangible assets | 2,172 | 2,951 | 1 | 2 | 17 |
| Outflow/acquisition of long-term financial assets | −250 | −457 | −697 | 0 | 0 |
| Disposal of long-term financial assets | −241 | 206 | 9 | 0 | 0 |
| Net cash flow/acquisition and divestment of subsidiaries/change in consolidation | −800 | 50 | 0 | 0 | 0 |
| **Net cash flow from investing activities** | **−11,096** | **−38,574** | **−24,137** | **−6,261** | **−50,455** |
| **Financing activities** |  |  |  |  |  |
| Increase in capital or contributions | 1,456 | 3,554 | 0 | 0 | 0 |
| **Contributions from investors** | **0** | **10,770** | **18,971** | **0** | **0** |
| Dividends paid | 0 | −640 | −688 | −688 | −1,387 |
| Dividends paid to minority interests | −100 | −22 | 0 | 0 | 0 |
| Inflow from borrowings | 28,784 | 30,314 | 16,253 | 0 | 33,000 |
| Repayment of borrowings | −12,892 | 1,262 | −10,013 | −5,632 | −5,015 |
| Net financial interest paid | −1,530 | −2,305 | −3,691 | −3,442 | −4,038 |
| Advances paid | 250 | 469 | 0 | 0 | 0 |
| **Net cash flow from financing activities** | **15,968** | **40,879** | **20,832** | **−9,762** | **22,561** |
| **Net change in cash and cash equivalents** | **2,311** | **8,405** | **7,708** | **−592** | **−11,179** |
| Impact of changes in exchange rates | −29 | 6 | 10 | 0 | −43 |
| **Cash at beginning of period** | **791** | **3,073** | **11,484** | **19,202** | **18,610** |
| **Cash at end of period** | **3,073** | **11,484** | **19,202** | **18,610** | **7,387** |

Note: WCR = working capital requirement.

Source: Created by the case authors based on company documents.

Exhibit 4: SAPMER Capital Market Performance

Note: The CAC 40  is a benchmark French [stock market index](https://en.wikipedia.org/wiki/Stock_market_index). The index represents a capitalization-weighted measure of the 40 most significant values among the 100 highest [market caps](https://en.wikipedia.org/wiki/Market_capitalization) on the [Euronext Paris](https://en.wikipedia.org/wiki/Euronext_Paris) (formerly the [Paris Bourse](https://en.wikipedia.org/wiki/Paris_Bourse)).

Source: “Stock Prices of Shares for SAPMER (ALMER:FP),” Bloomberg L. P., accessed April 21, 2016.

Exhibit 5: Deliveries of Freezer Tuna Vessels and payment terms

The shipbuilding contract was signed in July 2007. Deliveries were, respectively, the Franche Terre in July 2009, the Manapany in May 2010, and the Bernica in November 2010. Payment terms were 20 per cent in each of five payments: 20 per cent on the order date; 20 per cent upon completion of the hull; 20 per cent on delivery of the electrical generators; 20 per cent on delivery of seine cable; and the final 20 per cent on delivery.

The total investment of €93 million was financed by debt (€75 million); tax benefit (€30 million); and capital increase (stock exchange, €5 million).

The first ship of the series was built in Concarneau, France, christened Franche Terre after the Sainte-Suzanne locality of Réunion Island. It was completed in May 2009 and began unloading its first catches in the second half of 2009.

The construction of Franche Terre’s two sister ships, the Manapany and the Bernica (both names emblematic of Reunion Island), were continued at Ben Luc in Vietnam, in the SEAS shipyards, a subsidiary of Piriou. The Manapany was christened in May 2010 and began fishing trips in August 2010. The christening of the Bernica followed in November 2010. It began fishing trips in December 2010.

|  |  |  |
| --- | --- | --- |
| **Freezer Tuna Vessels** | **Delivery** | **Start of Operation** |
| *Franche Terre* | July 2009 | July 2009 |
| *Manapany* | May 2010 | August 2010 |
| *Bernica* | November 2010 | December 2010 |
| *Dolomieu* | April 2012 | April 2012 |
| *Belowve* | September 2012 | September 2012 |

Source: Company documents.

1. Malgache [Malagasy] was the ethnic group of Madagascar. [↑](#footnote-ref-1)
2. A purse seine was a large fishing net that could be drawn together at the top in the shape of a sac; a purse seiner was a fishing vessel with a seine. [↑](#footnote-ref-2)
3. Bernard Grollier, *Histoire d’un armateur réunionnais* [History of a Réunion Island Shipowner], ed. Yannick Lauri (La Réunion: SAPMER, 2012). [↑](#footnote-ref-3)
4. Grollier, op. cit., 19. [↑](#footnote-ref-4)
5. € = euro; all currency amounts are in € unless otherwise specified; US$1.00 = €0.77 on March 1, 2013. [↑](#footnote-ref-5)
6. Grollier, op. cit. [↑](#footnote-ref-6)
7. Ibid., 52. [↑](#footnote-ref-7)
8. Ibid. [↑](#footnote-ref-8)
9. Ibid. [↑](#footnote-ref-9)